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WORLD COTTON PROSPECTS

Summary

The developments during August placed the domestic cotton textile industry in the most favorable position attained for many months. With the generally more optimistic feeling accompanying the advance in prices of cotton, stocks, and other commodities, sales of cotton textiles reached record levels. Whereas stocks of cotton cloth at the beginning of August held by reporting cotton textile merchants were practically equivalent to the unfilled orders on hand, by the end of the month orders were almost 2½ times as large as stocks. Under the stimulus of increased orders textile mill activity increased and total domestic mill consumption of raw cotton in August increased 44 per cent over July, reaching the highest levels since last March. The export movement in August was the largest on record.

During this period of advancing prices and improving business sentiment there was a substantial increase in the sale of cotton textiles in continental European countries. There has also been some increase in cotton spinning mill activity, apparently, but with the recent decline in prices it remains to be seen whether the increased activity will be sustained. The British industry continues to be influenced by the strike among the weavers. Spinners' takings of American cotton in Great Britain during recent weeks have been larger than a year ago but mill activity is said to be less. Japan has recently increased the curtailment of spinning operations from 31.4 to 36.4 per cent due to increasing yarn stocks. The continued decline in the exchange rate of the yen has been favorable to Japanese exports, however, and in July and August exports of cloth reached record levels. Should these heavy exports of cloth continue

it will probably increase the demand for yarn even though cloth production for use in Japan continues low. Chinese mills in China are running at high levels of activity but the Japanese-owned mills are having difficulty in disposing of their reduced output which is now only about 60 per cent of capacity.

The raw cotton supply situation for 1932-33, insofar as it is known, has shown little change during the past thirty days. The September forecast of the American crop was only 4,000 bales larger than the August estimate and 5,800,000 bales below the 1931-32 crop. Conditions in China continue to point to a crop something like 800,000 bales (of 478 pounds) larger than in 1931-32 but in Egypt the 35 per cent reduction in acreage would give, with average yields, a crop about 350,000 bales of 478 pounds less than last season's production. Preliminary acreage reports from India point to only a small reduction in the area planted to cotton and the probabilities are that yields per acre will be considerably above those of 1931-32 which were unusually low. Production in Russia is not likely to show much increase according to information now at hand. Last year foreign crops were reduced about 1,500,000 bales. Present indications are that foreign production this year will increase, but the large decrease in the American crop will result in a considerable decrease in world production.

Prices

Spots

On August 27 the average price of American cotton in the 10 designated markets reached 8.84 cents per pound. This was the highest cotton prices had been for more than a year and was 4.08 cents above the low point of June 9. After the 27th prices moved irregularly until September 8 when there was a drop of 1.00 cent per pound. Members of the trade had interpreted weather conditions during August as unfavorable and were expecting a considerable reduction in the September crop forecast. By September 19 prices were 2.22 cents per pound below the high point of August. The next few days resulted in a recovery of about one-half cent per pound with the 10 markets averaging 7.29 cents on September 26.

Prices of American and other cottons in foreign markets have moved very nearly as in the above markets although there has been a tendency in recent

weeks for foreign cotton, particularly Indian, to become slightly cheaper relative to American.

Stocks and Movement

World mill stocks on July 31,1932

At the end of July, 1932, total stocks of raw cotton at the mills of the world were only slightly larger (3.9 per cent) than a year earlier, but stocks of American were about one-third larger, and Indian one-third less, while stocks of Egyptian and sundries were about unchanged. (See Table 1) Of the 688,000 bale increase in mill stocks of America, 242,000 bales were in the United States, 362,000 bales in the Orient and less than 100,000 bales in stocks at mills in Europe. Most of the important consuming countries held larger mill stocks of American cotton at the end of July this year than a year earlier. Most of these countries held smaller amounts of Indian cotton. France held smaller amounts of each of the four groups of cotton.

Table 1.- Cotton mill stocks by growths in specified countries on hand July 31,1932 and percentage change from stocks on July 31,1931

Country	American		Indian		Egyptian		Sundries		Total	
	July 31, 1932	Percentage change	July 31, 1932	Percentage change	July 31, 1932	Percentage change	July 31, 1932	Percentage change	July 31, 1932	Percentage change
	1,000 running bales	Per cent	1,000 running bales	per cent	1,000 running bales	Per cent	1,000 running bales	Per cent	1,000 running bales	Per cent
United States 1/	1,164	+ 26.4	15	- 11.8	21	- 25.0	12	- 36.8	1,212	+ 23.0
Japan	370	+127.0	134	- 44.4	17	+ 41.7	9	0.0	530	+ 24.7
Great Britain	63	+ 18.9	12	- 65.7	37	+ 5.7	50	- 2.0	162	- 6.9
Germany	129	+ 79.1	33	- 17.5	20	+ 33.3	13	- 7.1	195	+ 38.3
China	154	+133.3	34	- 58.0	3	- 25.0	164	+ 7.9	355	+ 17.2
France	132	- 23.7	36	- 74.5	30	- 16.7	16	- 38.5	214	- 43.1
Italy	165	+ 37.5	21	- 58.0	30	+130.8	9	+ 28.6	225	+ 18.4
Czechoslovakia	34	+ 17.2	3	- 78.6	3	- 25.0	2	0.0	42	- 14.3
Spain	22	+ 37.5	3	- 50.0	8	+ 33.3	2	0.0	35	+ 16.7
Canada	49	- 19.7	--	--	2	0.0	--	--	51	- 19.0
Poland	14	+100.0	1	- 50.0	3	+200.0	--	--	18	+ 63.6
Belgium	43	- 2.3	25	- 40.5	4	+100.0	16	+ 6.7	88	+ 14.6
India	102	+191.4	692	- 19.1	19	- 29.6	59	+ 43.9	872	- 9.0
All others	118	+ 7.3	24	- 41.5	32	0.0	310	- 3.4	484	- 4.2
Total . .	2,559	+ 36.8	1,033	- 34.0	229	+ 5.5	662	+ 0.3	4,483	0.4

Compiled from reports of the International Federation of Master Cotton Spinners' and Manufacturers' Association.

1/ The Bureau of the Census reports mill stocks in the United States as follows: American 1,164,011 running bales, foreign 54,852 bales of 500 pounds, all kinds 1,218,863 bales.

Exports of American cotton

During August there were 452,000 bales of American cotton exported from the United States, compared with 211,000 bales in August, 1931 and 366,000 bales in August, 1930. Exports in August this year were the largest ever reported during that month, according to data released by the Bureau of the Census and the Bureau of Foreign and Domestic Commerce. The increase came in exports to Europe, those to the Orient being slightly smaller than in August, 1931. From August 1 to September 19 the New York Cotton Exchange reported exports this season at 881,000 bales compared with 535,000 bales during the corresponding period last season. The rather low level of cotton stocks in Europe, the marked advance in cotton prices and the accompanying improvement in business sentiment apparently explain the heavy exports.

Exports of Foreign cotton

The export movement from India during the first month and a half this season amounted to only 141,000 running bales which was 51 per cent less than the small movement a year earlier and 65 per cent less than in the corresponding period in 1930-31. The heavy export movement from India begins in December. Receipts of cotton at Bombay from August 1 to September 15 this year, however, were practically twice as great as in the same period last year and stocks at Bombay on September 15 were 265,000 bales larger than a year earlier, 207,000 bales larger than the same date in 1930 and about the same as in 1929. (Data from the Commercial and Financial Chronicle)

Total exports from Alexandria, Egypt, the first six weeks this season amounted to 67,000 running bales compared with 105,000 bales a year ago and 37,000 bales in the like period of the 1930-31 season. In contrast to the increase in receipts at Bombay, receipts at Alexandria have been 31 per cent less than during the first part of 1931-32 and stocks at mid-September were 105,000 bales less than last year.

Textile Situation

World cotton consumption

During the six months ended July 31, 1932 the total world mill consumption of all cotton amounted to 10,795,000 running bales, 531,000 bales or 4.7 per cent less than during the corresponding period in 1930-31 and 6.4 per cent less than in the first half of 1931-32, according to the report of the International Federation of Master Cotton Spinners' and Manufacturers' Associations. Total consumption for the 1931-32 season amounted to 22,323,000 running bales compared with 22,488,000 bales in 1930-31, 25,209,000 bales in 1929-30 and was the smallest for any season since 192.-24, when the total amounted to only 20,430,000 bales.

Due to an abundant supply, American cotton was used to a considerable extent to replace the short supplies of Indian and Chinese cotton and as a result world consumption of American increased during the last half of 1931-32 despite the decrease in mill activity. The 6,202,000 running bales of American consumed from February through July, 1932, compared with 6,117,000 bales the previous six months, was 572,000 bales or 10.2 per cent above the like period of 1930-31 and 262,000 bales (4.4 per cent) greater than in the last half of 1929-30. Total consumption of American in 1931-32 was reported as 12,319,000

bales which was 1,411,000 bales or 12.9 per cent more than in 1930-31, but was 700,000 bales (5.4 per cent) smaller than in 1929-30.

World consumption of Indian cotton decreased from 5,863,000 bales in 1930-31 to 4,789,000 bales in 1931-32, a decline of 18.3 per cent. Consumption of sundries cotton in 1931-32 declined 629,000 bales (12.9 per cent) to 4,235,000 bales. About 500,000 bales of the decrease in sundries occurred in China and was Chinese cotton. Consumption of Indian and Chinese together, therefore, decreased more than 1,500,000 bales which was slightly greater than the increase which took place in the consumption of American. The world consumption of Egyptian in 1931-32 increased 14.9 per cent to 980,000 running bales.

The accompanying table shows the consumption of cotton by growths for the last half of 1931-32 in 13 countries of the world which consume the greatest amount of American cotton. From this it may be seen that the use of American cotton increased over the corresponding period last season at the expense of Indian or sundries cottons in most countries. Even though total mill activity, as measured by cotton consumption, decreased 4.7 per cent as compared with like period in 1930-31 the amount of American cotton used increased 10.2 per cent. The greatest increases occurred in Japan, China, and Great Britain, which countries showed the greatest decreases in the amounts of other cotton used. The United States, France, and Canada were the only countries among the 13 shown below which consumed less American than in the last half of 1930-31.

Table 2.-Cotton: Consumption by growths in specified countries, six months ended July 31, 1932 and percentage change from corresponding period in 1930-31

Country	American		Indian		Egyptian		Sundries		Total	
	Six months ended July 31 1932	Percentage change	Six months ended July 31 1932	Percentage change	Six months ended July 31 1932	Percentage change	Six months ended July 31 1932	Percentage change	Six months ended July 31 1932	Percentage change
	1,000 running bales	Per cent	1,000 running bales	Per cent	1,000 running bales	Per cent	1,000 running bales	Per cent	1,000 running bales	Per cent
United States 1/	2,197	-19.7	9	-57.1	27	-22.9	11	-50.0	2,226	-20.3
Japan	933	+84.8	398	-46.6	26	+23.8	16	-69.8	1,373	+ 3.7
Great Britain	733	+47.2	53	-56.2	149	+15.5	239	- 0.4	1,174	+18.8
Germany	426	+20.0	48	-47.8	50	+25.0	49	+14.0	573	+ 8.1
China	451	+127.8	111	-54.1	3	-40.0	476	-32.4	1,041	- 9.4
France	263	-22.4	62	-39.8	44	-20.0	27	-10.0	396	-24.9
Italy	301	+27.5	51	-57.1	32	+ 3.2	14	+55.6	398	+ 0.8
Czechoslovakia	127	0.0	11	-65.6	11	- 8.3	10	+11.1	159	-11.7
Spain	160	+35.6	21	-50.0	25	+31.6	11	-26.7	217	+11.9
Canada	83	-17.8	-	-	3	-40.0	-	-	86	-18.9
Poland	87	+ 3.6	4	-55.6	8	+100.0	3	-40.0	102	0.0
Belgium	68	+ 3.0	35	-50.0	2	-50.0	22	-21.4	127	-24.4
India	121	+202.5	1,121	- 2.2	37	+ 5.7	88	+69.2	1,367	+ 7.4
All others	270	+ 8.4	53	-50.9	76	+18.8	1,155	- 1.7	1,554	- 2.6
Total	6,202	+10.2	1,977	-30.6	493	+ 7.4	2,121	-11.1	10,793	- 4.7

Compiled from reports of the International Federation of Master Cotton Spinners' and Manufacturers' Associations.

1/ Preliminary reports of the Bureau of the Census give consumption in the United States for the six months ended July 31, 1932 as follows: American 2,179,000 running bales; foreign 59,000 bales of 500 pounds; all kinds 2,238,000 bales.

United States

The 403,000 bales of cotton consumed in the United States during August represented an increase of 44 per cent over July and was the highest for any month since last March, but was still 5 per cent below that of a year earlier, according to data from the Bureau of the Census. Much of this August increase in domestic mill activity evidently resulted from the marked increase in the demand for cotton textiles which accompanied the July and August advance in cotton prices. The August sales of cotton cloth averaged 127,600,000 yards per week, the largest for any month on record. Sales were 129 per cent above July and were almost three times as great as production, according to data from the Association of Cotton Textile Merchants of New York. Cloth production increased during August almost 30 per cent and shipments more than 53 per cent. Unfilled orders showed the greatest increase (113 per cent) for any month on record and stocks the greatest decrease. The stocks were the lowest on record.

Trade reports indicate that sales of cotton textiles declined considerably during the first half of September which might be expected after such large purchases in August and with the prices of raw cotton declining sharply and prices of some of the cotton textiles declining somewhat.

Great Britain

At mid-September the British cotton textile trade was rather dull. Purchasers had hesitated to buy due to declining cotton prices at that time and the unsettling effect of the uncertain outcome of the strike among the weavers. Spinners' takings of American cotton in England had been running above a year ago but mill activity had been reported as below this time last year.

Some reports indicate that cloth business with India improved after the increase in the Indian tariff on Japanese goods. The other foreign markets are demanding only small amounts of cloth but the demand from the Continent for yarn of finer counts has been more favorable.

Piece goods exports in August declined somewhat as compared with July yet were 26 per cent above August 1931 and 8 per cent larger than August 1930.

Continental Europe 1/

The month of August brought a decided improvement in the continental cotton textile situation. The marked August advance in overseas prices of raw cotton, particularly the advance in American staples following the August estimate of the United States Crop Reporting Board, stimulated tremendous activity in the buying of raw cotton, cotton yarns, and cotton fabrics in practically all countries on the Continent of Europe, and brought about a certain increase in cotton milling activity.

Possibly the most significant feature of this development was the fact that cotton manufacturers and cotton goods wholesalers again showed willingness to refill, at least to some extent, their much reduced stocks of semi-manufactured and finished cotton goods. As the market for raw cotton began to record its steady advance, a gradual increase in buying interest for cotton yarn and cotton fabrics became apparent, particularly in central Europe, but extending also to

1/ Based largely on a report from Agricultural Attache' L. V. Steere at Berlin, dated September 6, 1932 supplemented by cable September 16.

western Europe and even into Italy. For the first time in months, and even years, a general revival of confidence has seemed to manifest itself.

This upturn in new business being booked by the mills in August has also been reflected in a certain improvement in mill operations in both spinning and weaving establishments in most of the countries of the Continent, with indications that the trend will be continued if reasonable maintenance of orders is experienced. As continental mill stocks of cotton yarn and goods are low, the recent pick-up in new business resulted in an immediate tendency toward the expansion of mill production at various important centers, and has also brought forth some optimistic statements about intentions to accelerate output, notably in northern France, at Roubaix-Tourcoing, and also in Germany, where it seems likely that at least the partial abandonment of the recently imposed curtailment of cloth and yarn output will come about.

These improvements on the demand side, coming on top of the advance in raw material prices, have had a markedly stimulating effect on the purchases of raw materials by both merchants and spinners. Reports from all continental markets indicate that August buying, particularly of American staples, has been of great magnitude, and the same is true of price fixing. Interest is centered around the fall months, but has also extended well into the winter and spring. This wave of buying persisted throughout most of the month, and was only halted at the close, when raw material had a rather sharp setback after its long period of steady upward movement.

As September opened, the continental cotton industry and cotton trade appeared to be generally optimistic about the rise in raw material prices and its bearing upon future developments. The marked increase in textile goods consumption reported in the United States, and the belief that a turn for the better in general business is not far distant, are important factors in this view.

On the other hand, political uncertainty and precarious financial conditions in central Europe continue to dampen hopes of substantial improvement in cotton goods consumption in this part of Europe in the very near future, and it seems advisable to point out that a genuine and sustained pick-up in the cotton situation appears to require much sounder and greater improvement in the entire industrial and trade situation than now seems likely to develop in the immediate future. The cotton industry of Europe is undoubtedly in a sound position, because of reduced cotton goods, stocks and the low raw material prices, to go ahead with a broad expansion in production once consumer demand really increases.

Germany

Trade and other reports point to a decided improvement in the general cotton market situation in Germany during August. The month saw the development of a marked increase in demand for both cotton yarn and cotton cloth and this, in turn, was reflected in steps toward doing away with the organized restriction of production introduced by the spinners' and weavers' organizations in recent months.

This more favorable turn of business came rather unexpectedly, as the July reports of the German spinners' and weavers' associations were still generally pessimistic, as a result of relatively poor business in most German textile centres, except for certain specialties and some pick-up incident to

the early July rise in raw cotton prices. The agreements reached by members of both spinners' and weavers' associations for the reduction of output were still being fully maintained, but, at the same time, were apparently having some salutary effect through the reduction of mill stocks of goods to lower levels, as there was a rather rapid change in the outlook for future operations, with the upward turn in the flow of new orders which occurred.

Efforts to maintain organized restriction in all sections of the German cotton industry seemingly broke down during August. The revival of new business made it impossible to obtain the required 80 per cent adherence of member firms to the agreement to maintain restrictions of output in the weavers' sections. A number of mills, therefore, undoubtedly increased mill operations to a considerable extent during the last ten days in August, following the expiration on August 20, 1932, of the curtailment agreement. Cotton spinning mills prolonged the organized short-time operations until September 12, 1932, but they have recently agreed not to prolong the restriction after that date. The increased demand for yarn and goods by weavers and the trade made it possible for spinning establishments to advance quotations for yarn.

The German cotton industry has recently manifested some uneasiness about the demands of agricultural interests in Germany that raw cotton be included among the products for which import contingents were to be introduced. German cotton merchants have made energetic protests, pointing out that the maintenance of present possibilities for the importation of raw cotton is absolutely essential for the German economy, and it seems improbable that measures beyond the existing restrictions on foreign exchange allotments will be taken. The allotment of foreign exchange for the importation of raw cotton has not interefered hitherto with the raw material supply situation. It is based on the average monthly importation during July-October 1930, i.e., 50 per cent of the value of the cotton imported in those months has been allowed for cotton imports in recent months. In July-October 1930, German spinners were paying from 10 to 12 cents per pound for raw cotton, so that an equal quantity has been obtainable under the present currency allotment at the price of 5 to 6 cents per pound prevailing in the last few months.

The July and August advance in cotton prices, however, materially affected the supply outlook. If the German Government finds it necessary to continue holding the currency allotment down to 50 per cent, it is not unlikely that German spinners' supplies of raw cotton will diminish, particularly if an increase in consumption should develop. There is no shortage for the time being, because there now appears to have been considerable importation of raw cotton in excess of actual requirements in recent months, notwithstanding some trade reports to the effect that spinners' supplies of raw material have reached low levels. German mill holdings at the end of July were considerably above stocks a year ago, and represent, furthermore, considerable speculative gain to the industry on the basis of present raw material prices. The increase in the tariff on cotton yarn which went into force on September 6, 1932, will undoubtedly help spinning mills to hold the gain which has thus accrued.

Reports from the Bremen market indicate that there was a large increase in buying interest for raw cotton in August, both by spinners and merchants. Price fixing was also very extensive until the last few days of the month, when it dropped off in connection with the decline of raw cotton prices in the United States.

Czechoslovakia

The Czechoslovakian cotton textile industry continues to be handicapped, basically, by the large discrepancy between the capacity of its cotton cloth mills and the cotton goods requirements of the domestic market, which necessitates the finding of a large export outlet, an exceedingly difficult matter in the past year. Nevertheless, the recent rise in values of raw cotton brought some pick-up in the Czechoslovakian cotton mill situation. Sales of yarn and cloth increased considerably during August, in connection with the apparent tendency of manufacturers and wholesalers, including exporters, to lay in a certain stock of cloth before a substantial rise in prices of finished goods occurred. The increase in sales booked by mills was of enough importance to lead trade observers to anticipate increased mill activity figures for the month of August.

Czechoslovakian cotton spinners have been hoping to arrive at an agreement to contingent cotton yarn production and to raise yarn prices, and cloth mills are also endeavoring to come to an understanding in regard to uniform policies on prices and production, but it remains to be seen whether anything will come of these efforts following the recent improvement in new business.

The Czechoslovakian textile industry has been considerably disturbed by the announced intention of the Government to commute the turnover tax, a measure which would require an estimated increase of 150,000,000 to 160,000,000 crowns in the operating capital of the Czechoslovakian textile industry. The banks are reported as having declared themselves unable to assist in financing the mills in connection with this tax, a fact which, according to the industry, would force many establishments to restrict production if the measure were put into force.

Austria

Reports from Austria continue to emphasize very bad conditions in the cotton textile industry. Nevertheless, the recent rise in the raw cotton market has brought certain benefit to the mills, as has been the case in most other countries. Sales of both cotton yarn and goods are reported to have increased noticeably, and an improvement in mill activity is expected. Austrian cotton spinning mills hope to profit, furthermore, from the measure which discontinued the allotment of foreign exchange for the importation of cotton and woolen yarn, effective August 1. Weaving establishments dependent on foreign yarns for reasons of quality, or otherwise, will undoubtedly be inconvenienced by this measure, but the net effect to the industry will doubtless be favorable, and the weaving mills, moreover, have some possibility of procuring their foreign currency requirements through private clearing arrangements, as suggested by the Government.

Export business and possibilities for the Austrian cotton industry continue drastically restricted, but it is hoped that the provisional trade agreement now being worked out with Hungary will open some additional outlet.

France

A conservative but steady movement was apparent in new business booked by cotton spinners and weavers in all French textile centers during the first half of August, and in the second half of the month the tendency developed into

a movement of large proportions. French cotton mill activity, on the whole, during the month of August doubtless rose, and Roubaix-Tourcoing spinners were anticipating an increase from the early September operations of 27 hours per week on the average to 36 hours.

The phenomenal rise in raw cotton prices in August was the main reason for a revival of business in yarns and fabrics in the French cotton market, but it is also indicated that small stocks of cotton yarn have contributed importantly to the rapidity and extent of the response in mill activity. The buying movement seems to have been chiefly for the account of the domestic market, as export sales were reported less satisfactory, and have even been the object of some complaint.

French purchases of raw cotton during August were extraordinarily large, and the volume of price fixing was also of extensive proportions. This great spurt in buying has been attributed largely to the sharp upward movement in raw material values, but the unusually low level of raw cotton stocks was also an important factor. French imports of raw cotton during the past cotton year failed by a considerable margin to cover actual mill consumption, even at the much reduced levels of activity of the past year, and mill stocks, as of July 31, 1932, fell to 214,000 running bales, as compared with 376,000 a year ago, and were the lowest for that date since 1924.

Belgium

Belgian cotton merchants, according to Vice-Consul Christiani, of Ghent, were beginning to exhibit a certain amount of optimism in July, as a result of the increase in raw material prices, and some improvement in orders for cotton cloth for both home and export markets occurred, although spinners were still in a bad position.

Trade reports for the month of August fully bear out this optimism, as improvement in the Belgian cotton mill situation has been reported. The advance in raw cotton prices has led to large sales of fabrics for both domestic and export account, and these point sooner or later to some revival in yarn business. The trade is hopeful that the movement will be the beginning of a more general revival, although confirmation must necessarily be awaited.

Italy

Information on the cotton situation received privately from Italy indicates that buying interest for raw cotton was also stimulated by the upward movement in prices for raw material during the month of August, although the markets in Italy were apparently less active than in most of the other continental countries. As compared with normal years, the volume of trading in raw material was described as moderate, with demand fair for spot delivery and near shipments. Active buying was only of a sporadic character.

Sales of cotton yarns and goods were also stimulated, and it is expected that a certain increase in mill activity has followed, or will soon follow, as the mills have been pursuing a very conservative policy in respect to operations, and are in a favorable position to increase output once the order situation provides the incentive.

Stocks of raw cotton at Genoa and Venice in recent weeks have been reported slightly above holdings at the same time last year. Total stocks at the mills on July 31 were larger than a year ago, 225,000 running bales against 190,000, but virtually unchanged as compared with January 31, 1932, when mill holdings amounted to 222,000 bales.

Poland

A middle of August report from Lodz pointed to some further improvement in the position of the Polish cotton textile industry during the summer. The spinners' trust was quite successful in putting the industry on a sounder production basis, and yarn stocks have been worked down to a low level, the latest reports indicating holdings not in excess of three weeks current yarn requirements. Spinners' operations, in fact, were increased from 97 per cent in mid-July to approximately 99 per cent the beginning of August, and prices being obtained for yarn in early September were described as "not unsatisfactory". The so-called summer season has been a good one, with practically no stocks left to be carried over into the new campaign. A mid-September report stated that a partial strike in Lodz was causing uneasiness in the Polish industry.

The importation of raw cotton into Poland has increased slowly but steadily since the beginning of 1932. Spinner buying of raw cotton, moreover, has increased considerably in the past few weeks, both for immediate delivery and for more distant months. Cotton importers are reported to be replenishing stocks at Gdynia by purchases from the United States, as the stocks now available are small. The mill stocks of 18,000 bales on July 31 are somewhat larger than last year (11,000), but very small in relation to current requirements, in fact, only a trifle over one month's needs.

Russia

The July production plan in Russia was reported fully executed in the case of cotton fabrics with total production amounting to 198,000,000 yards (100.2 per cent of the plan). Yarn output continued somewhat below plans with 47,900,000 pounds or 95.8 per cent of the plan, turned out during the month.

August production figures will probably be smaller than those of July because of the summer vacation taken by the workers. Preliminary figures available for the first twenty days of the month indicate a total output of finished fabrics of only 90,900,000 yards and 27,300,000 pounds of yarn.

Total production of cotton fabrics during the first half of the year amounted to 1,375,000,000 yards or 46.5 per cent of the yearly plan. Compared with the corresponding period in 1931, production increased by about 12 per cent, but a further increase is necessary if the total plan for 1932 of 3,348,000,000 yards is to be executed. A lag as compared with the plan is also noticeable in the case of cotton yarn production, which amounted to 364,813,000 pounds during the six months ended June 30, or also 46.5 per cent of the yearly plan.

Japan 1/

Mill purchases of cotton in Japan were said to have been light during July and most of August. It has been estimated that the five leading mills in

1/ Based largely on cabled advice from Consul Donovan at Kobe received August 30, 1932, supplemented by cable on September 14.

Japan have sufficient raw material on hand or under contract to last them until November or December although the stocks of smaller mills are believed to be negligible. Total mill stocks of American cotton in Japan at the end of July this year, excluding mill-owned stocks located at port warehouses, amounted to 370,000 running bales which was more than twice the amount held a year earlier. The Japanese mills no doubt owned a considerable amount of the record port stocks of American, which on July 31 totaled about 480,000 bales. Total mill and port stocks of American cotton at that time amounted to 850,000 bales which was only 83,000 bales less than was consumed in Japan during the preceding six months.

Some reports attribute the recent drop in the value of the yen to heavy purchases of raw cotton, but that has been denied. The weakness of the Japanese exchange is said to have caused mills to refrain from buying as heavily as might be expected. The price parity of American and Indian cotton in early September was still markedly in favor of American cotton. As long as this continues the prospects for the sale of American cotton in Japan will continue bright, although the Japanese mills were to have reduced their spinning operations still further beginning September 1. The new rate of curtailment which was decided on August 20 was 36.4 per cent whereas they had previously been curtailing operations by 31.4 per cent, 20 per cent of which was by sealed spindles and 11.4 per cent by extra holidays.

Total yarn production in Japan during August amounted to 230,000 bales of about 400 pounds. This was practically the same as the July production but was 9,000 bales or 3.6 per cent above production in August 1931. The demand for yarn in Japan in August was reported as poor and yarn stocks were accumulating which no doubt caused the additional curtailment in spinning operations. The foreign demand for cotton cloth, however, was good as exports of cloth in July attained record levels. The 194,400,000 square yards exported compared with 175,400,000 in June, and 138,000,000 in July 1931. The increased losses in Chinese markets were more than offset by heavy purchases from South Africa, the Near East and various Oriental markets. The low exchange rate was an important factor in the large exports. The home demand for piece goods was very slack at the beginning of September.

China 1/

While the total mill consumption of raw cotton in China during 1931-32 showed a slight decline from both 1930-31 and 1929-30, the consumption of American cotton more than doubled. The 883,000 bales of American consumed in 1931-32 was 521,000 bales greater than the 1930-31 consumption which itself was greater than that consumed in any preceding season. Most of this increase in American was at the expense of Chinese cotton, due to the large supply of American and the short crop in China. The consumption of Chinese (listed as Sundries) was 497,000 bales less than in 1930-31, and Indian 99,000 bales less.

The general conditions in China at mid-September indicated that mill activity in China during the current season would hardly be equal to that of the past few seasons. It is expected that consumption of American in China will be more nearly normal this season with a more normal supply of Chinese cotton becoming available.

1/ Based largely on cabled information received from Agricultural Commissioner Dawson at Shanghai on September 14, 1932.

In the first part of September Chinese owned mills at Shanghai were operating near capacity while Japanese mills there were operating around 60 per cent of capacity. The Japanese mills were having difficulty in disposing of their reduced yarn and piece goods output. The yarn market in general was rather slow at mid-September but in view of the better crops this year is expected to improve after the mid-autumn festivals although the market in North China is uncertain.

The piece goods market in China was reported as extremely quiet. The Yangtze markets, however, have shown signs of improvement but the financing of purchases has been difficult.

Acreage, Production, and Crop Conditions

United States

The September official crop report indicated a 1932 production in the United States about the same as the forecast one month earlier, the forecast of 11,310,000 bales being only 4,000 bales greater than the one in August. The forecasted yield per acre for the United States as a whole was less than was indicated in August but the prospects were that the acreage harvested would be greater than was anticipated in the first forecast. The August figures allowed for an average abandonment of acreage whereas in the September report it was estimated that abandonment will be only about 1.8 per cent compared with a 10-year average of 3.1 per cent.

The prospective yields declined in August in practically all States in the eastern and central portion of the Belt where weevils were quite active and weather conditions were mostly unfavorable. Favorable moisture in western Texas and Oklahoma was said to be responsible for the increase in the forecasted yields in these States.

Egypt

The 1932-33 cotton acreage in Egypt was reported a month ago as being officially estimated at 1,135,000 acres or 35 per cent less than the 1,747,000 acres in the 1931-32 crop. Since then the estimate by varieties has been received. Sakellaridis acreage has been estimated at 383,000 acres or 23 per cent less than in 1931-32, Ashmouni and Zogora at 526,000 acres compared with 788,000 (a 33 per cent decrease) and all others at 226,000 acres or 51 per cent less than in 1931-32. Private concerns in Egypt are said to be estimating the crop at about 945,000 bales of 478 pounds or about 341,000 bales (27 per cent) less than the 1931-32 production. This is on the basis of a 5-year average yield of Sakellaridis, Uppers, and other varieties. With an average yield equivalent to the 10-year average yield of all varieties applied to the total estimated acreage the 1932-33 would give a production about 350,000 bales or 27 per cent below that of last season. Yields in Egypt, however, vary considerably and the reduction in production might be materially more or less than this amount.

China 1/

Growing conditions in late summer were favorable to most of the cotton crop in China and it is fully expected that the new crop will be much larger than the reduced 1931-32 crop and somewhat above the production of 1930-31. This Bureau's adjustment of the Chinese Mill Owners forecast gives a figure of 2,500,000 bales, about 47 per cent above their adjusted estimate for last year and 11 per cent above the 2,250,000 bale figure used for 1930-31.

1/ Based largely on cabled information from Agricultural Commissioner Dawson at Shanghai received September 14 1932.

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The crop last year was greatly reduced due to floods and other unfavorable weather which reduced the acreage and yields. This year yields are expected to be much above last year and somewhat greater than average.

India

Little additional information on the Indian cotton crop prospects has been received during the past month, but with yields anything like normal the crop should be considerably above the short 1931-32 crop. The first acreage estimate, giving the area planted up to August 1 indicates that the acreage will probably be only slightly different from that of last year unless unusual developments take place between now and the end of the planting season.

Russia 1/

The outlook for this year's cotton crop in Russia is still very uncertain, although favorable crop prospects, even an increase over last year's crop, are indicated for certain regions, notably the Kokand region of Usbekistan, an important cotton section.

Recent reports indicate that this year's cotton acreage is probably below the 5,800,000 acres of the preliminary estimate, chiefly due to failure to complete the plan in Middle Asia and Transcaucasus, and also to some loss of acreage as a result of the lack of cultivation. (124,000 acres are reported to have been lost in Ukraine, or about 25 per cent of the total cotton acreage there, of which fully 100,000 acres were left uncultivated after the planting and suffocated from the weeds.) It appears that the rather favorable outlook earlier in the season, as a result of timelier sowings than last year and favorable weather conditions, has been considerably blighted by poor cultivation during the important growing period. Poor irrigation of fields frequently had an unfavorable influence on the cotton plant, as fields were reported to have received twice and three times the water needed; at the same time the cultivation of the fields did not take place promptly, which led to drying up of the soil, formation of a crust and unusual growth of weeds. It is also stated that the reduction of the share of alfalfa in the general crop rotation system, from 32 per cent in 1914 to 17 or 18 per cent at present, is resulting in exhaustion of the soil. This exhaustion is furthermore accentuated by insufficient use of fertilizers, only 6.4 per cent of the acreage having been fertilized this year. A large part of the decrease in yields, however, are no doubt due to the expansion of the acreage into new and unirrigated regions. The latest available official Russian cotton figures give the following data for acreage, production and yield during the past few years:

1/ Based largely on Mr. Steere's report (See page 11).

	Acreage in 1,000 acres	Production 1,000 bales of 478 pounds net	Yield per acre Pounds
1927	1,651	994	257
1928	2,400	1,174	234
1929	2,608	1,279	234
1930	3,911	1,589	194
1931	5,346	1,851	166
1932 1/	5,400	3/ 1,900 - 2,000	-
1932 2/	5,800		

1/ This Bureau's preliminary estimate.
2/ Official as of July 1, 1932. Later press reports indicate the possibility of a lower acreage.
3/ The estimated production on these two acreage figures using the formula given in the November 1931 issue of World Cotton Prospects.